COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4344-01
Bill No.: HB 1534
Subject: Taxation and Revenue - Property; Taxation and Revenue - General; Property, real and personal; County Officials
Type: Original
Date: March 1, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Blind Pension *	(Unknown)	(Unknown)	(Unknown)
Senior Property Tax Deferral Revolving Account *	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	**(Unknown) to Unknown**	**(Unknown) to Unknown**	**(Unknown) to Unknown**

* net result of transactions, impact on Blind Pension Fund assumed to be less than $100,000.
Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government *	**(Unknown)**	**(Unknown)**	**(Unknown)**

* expected to exceed $100,000.

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **State Tax Commission** (TAX) assumed no fiscal impact to their agency from the proposal. In response to a similar proposal, TAX stated they do not have the number of senior citizens that would be in that income bracket, and how many eligible senior citizens would opt to utilize this program. The State Tax Commission assumes the proposal would affect the assessor's offices as well as the collector's office in all political subdivisions because they would have to track all deferred monies. The said the impact on these offices would have to be figured on an individual basis. They said there would also be an impact on schools, but it is impossible to determine at this time how large that impact would be.

Officials from the **Office of the State Treasurer** and the **Office of Administration**, **Division of Budget and Planning,** assume this proposal would have no impact on their organizations.

In response to a similar proposal, officials from the **Office of Administration**, **Division of Accounting**, assume this proposal would have no impact on their organization.

ASSUMPTIONS (continued)

In response to a similar proposal, officials from the **Office of the Secretary of State** (SOS) assume this proposal would result in an unknown cost to publish regulations for the resulting program.

Oversight assumes the SOS could absorb the costs, if any, of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to a similar proposal in the prior session, officials from the **Cole County Assessor's Office** assumed one-time programming costs for changes to the Assessor's CAMA and mapping systems of $4,000 in 2004. Cost of maintenance of the program within the Assessor's office is estimated to require one additional part time employee at $6,000 per year starting in 2004.

Officials from the Cole County Assessor's Office also assumed the Cole County Collector would have one-time programming costs for changes to implement this program at $5,000 in 2004. Additionally, the Collector would need a half-time person to administer and maintain the program at the annual cost of $12,000 per year, starting in 2004.

Officials from the Cole County Assessor's Office also assumed more costs will be incurred by the Cole County Clerk's Office, and by the Cole County Recorder's Office; especially personnel costs to maintain and administer the program.

Officials from the **Department of Revenue** (DOR) assume the Division of Taxation (Taxation) would need to create a new system for the tracking and the estimation of the deferred taxes - which could fall into any part of Revenue since it does not deal with taxes that are currently administered by DOR.

DOR estimated EDP Programming costs - 5 FTE for one year to create and maintain the system at a cost of $346,944 (10,400 hours of programming)

DOR Customer Assistance would need one Tax Collection Tech for every 24,000 calls a year on how to defer - One Tax Collection Tech I for every additional 15,000 calls regarding delinquency. DOR assumes field offices would have additional walk-in traffic and would need One Tax Collection Tech I for every additional 5,200 calls and 2,150 walk-ins.

ASSUMPTIONS (continued)

Taxation currently has 192,000 "Circuit Breaker" property tax credit claims of individuals that would qualify for deferral, but DOR is unsure how many additional individuals would qualify since the proposal specifies a qualifying age of 62 ½. DOR assumes Taxation would need one Tax Processing Tech I for every 12,000 claims received. Whoever is the keeper of this system would need to verify the information for the counties, create lien lists, estimates, and notices. Assuming an employee would be working 1,000 claims a month or 5.78 per hour, it is anticipated that 16 additional FTE could be needed.

DOR estimated total costs for the program including salaries, benefits, and expenses for 20 additional FTE, and computer programming totaling $1,069,857 for FY 2005, $833,552 for FY 2006, and $851,158 for FY 2007.

Oversight assumes that approximately 24.4 percent of owner-occupied residences are owned by persons over 61 years of age, and that 38.1 percent would have household income less than the upper limit of $32,000 per year. However, Oversight assumes it is not possible to estimate the number of persons who would actually apply for this tax deferral, the value of real estate they own, or the amount of taxes which would be subject to deferral under this proposal. Oversight also assumes the first applications for deferral would be prepared in October, 2004 for 2004 taxes. The resulting deferrals would be for 2004 taxes otherwise payable December 31, 2004. The first reimbursements to county collectors would be in January 2005 for those deferred taxes. The deferrals, reimbursements, and withholdings would begin in state FY 2005.

Oversight assumes there would be significant unknown costs for the Department of Revenue, payable from the Senior Property Tax Deferral Revolving Account. Oversight assumes that transfers from the state General Revenue Fund to the Senior Property Tax Deferral Revolving Account would be required for the first few years of operation, but that there would be insufficient funds in the state General Revenue Fund to make the required transfers, and that a bond issue would instead be needed to fund Department of Revenue expenses and payments to county collectors.

Oversight also assumes there would be significant unknown costs for county collectors, assessors, clerks, and recorders in implementing this proposal.

ASSUMPTIONS (continued)

Oversight assumes that the two percent withholding from payments to the collectors would result in an unknown reduction in revenues to the political subdivisions since county collectors would abstract the reduced tax collections resulting from the tax deferrals and reimbursements from the Senior Property Tax Deferral Revolving Account to all taxing authorities. Oversight assumes the impact on the state Blind Pension Fund would be ½ of 1% of the impact to local governments, with an unknown net loss of tax revenue less than $100,000.

This proposal could affect total state revenue.

Officials from the **Office of the Attorney General, Boone County, Greene County, Jackson County,** and **St. Louis County** did not respond to our request for information.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
BLIND PENSION FUND			
Revenue			
Reimbursements from Senior Property Tax Deferral Revolving Account	Unknown	Unknown	Unknown
Revenue reduction			
Reduced tax collections	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND *	**(Unknown)**	**(Unknown)**	**(Unknown)**

* net effect of deferral and reimbursement, assumed to be less than $100,000.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
SENIOR PROPERTY TAX DEFERRAL REVOLVING ACCOUNT			
Revenues - collections of deferred taxes *	$0	Unknown	Unknown
Transfers - proceeds from bond sales *	Unknown	Unknown	Unknown
Cost - Department of Revenue			
Personal Service	(Unknown)	(Unknown)	(Unknown)
Fringe Benefits	(Unknown)	(Unknown)	(Unknown)
Expense and Equipment	(Unknown)	(Unknown)	(Unknown)
Reimbursements - to county collectors *	(Unknown)	(Unknown)	(Unknown)
NET EFFECT ON SENIOR PROPERTY TAX DEFERRAL REVOLVING ACCOUNT *	**Unknown**	**Unknown**	**Unknown**

* expected to exceed $100,000 per year.

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
POLITICAL SUBDIVISIONS			
Revenue			
State reimbursements from Senior Property Tax Deferral Revolving Account *	Unknown	Unknown	Unknown
Revenue reduction			
Reduced tax collections *	(Unknown)	(Unknown)	(Unknown)
Withholding from tax collections *	(Unknown)	(Unknown)	(Unknown)
Cost to counties			
Additional administrative cost to county assessor, collector, clerk, and recorder *	(Unknown)	(Unknown)	(Unknown)
NET EFFECT ON POLITICAL SUBDIVISIONS *	**(Unknown)**	**(Unknown)**	**(Unknown)**

* unknown expected to exceed $100,000.

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would create a Senior Property Tax Deferral Program as follows:

A homestead would be defined as an owner occupied principal dwelling and the land surrounding it, not to exceed five acres. If the homestead is located in a multi-unit building, the homestead is the portion of the building actually used as the principal dwelling and its percentage of the value of the common elements and of the property upon which it is built. If the homestead is located on a farm, the homestead consists of the dwelling, appurtenances, and land not to exceed five acres.

DESCRIPTION (continued)

An individual, or two or more individuals jointly, may elect to defer the property taxes on their homestead by filing a claim for deferral with the county clerk if the individual, or the older individual, is sixty-two years of age or older. The individual, or all of the individuals together must have household income less than the upper limit of $32,000 per year. A guardian, conservator, or trustee may act for the individual.

The county clerk would forward each claim filed pursuant to this section to the director of revenue who shall determine if the property is eligible for deferral. The property must be the homestead of the individual or individuals, except for an individual required to be absent from the homestead by reason of health. The individual or individuals must own the fee simple estate or be purchasing the fee simple estate under a recorded instrument of sale. The equity interest in the homestead must be equal to or exceeding ten percent of the true value in money of the homestead. The individual or individuals must show proof of insurance in an amount equal to or exceeding market value, and insurance must be kept in place as long as the deferral is maintained.

There must be no prohibition to the deferral of property taxes contained in any provision of federal law, rule or regulation applicable to a mortgage, trust deed, land sale contract or conditional sale contract for which the homestead is security. After August 28, 2004, it shall be unlawful for any mortgage trust deed or land sale contract to contain a clause or statement which prohibits the owner from applying for the benefits of the deferral of homestead property taxes. Any such clause or statement in a mortgage trust deed or land sale contract executed after August 28, 2004, would be void.

The director of revenue would notify the county assessor or collector who would show on the current ad valorem assessment and tax roll the property is tax-deferred by an entry clearly designating such property as tax-deferred. Interest would accrue on the actual amount of taxes advanced to the county for the tax-deferred property at the rate of six percent per annum. The director of revenue would cause to be recorded in the mortgage records of the county, a list of tax-deferred properties in that county. The director would not be required to pay any filing, indexing or recording fees to the county.

The director would pay to the respective county tax collectors an amount equivalent to the deferred taxes less two percent thereof. Payment would be made from an account established by the proposal. The director would maintain records for each deferred property and would accrue interest only on the actual amount of taxes advanced to the county. The director of revenue would send a notice to each taxpayer who is qualified to claim deferral of property taxes for the current tax year.

DESCRIPTION (continued)

The director of revenue would estimate the amount of property taxes that will be deferred for a period of five tax years, and the interest thereon. Thereafter, the director would have a lien in the amount of the estimate. The liens would have the same priority as other real property tax liens except that the liens of mortgages, trust deeds or security interests which are recorded or noted on a certificate of title prior in time to the attachment of the liens for deferred taxes shall be prior to the liens for deferred taxes. A
lien may be foreclosed by the director pursuant to the law relating to foreclosure in civil suits or any other collection methods given the director of revenue.

There would be established in the state treasury the "Senior Property Tax Deferral Revolving Account". If there is not sufficient money in the revolving account to make the payments required by this section, an amount sufficient to make the required payments may be transferred by appropriations from the General Revenue Fund to the revolving account. When the department determines that moneys in sufficient amounts are available in the revolving account, the director would repay to the General Revenue Fund the amounts advanced or if no such transfer is made by the director, the general assembly may transfer excess funds from the revolving account to the General Revenue Fund. The moneys used to repay the General Revenue Fund pursuant to this section would not be considered as part of the calculation of total state revenue. If there are insufficient funds in the General Revenue Fund to provide the necessary funding to the revolving account established in this section, the commissioner of administration may issue revenue bonds. The commissioner may prescribe the form, details and incidents of the bonds, and make the covenants that in the commissioner's judgment are advisable or necessary properly to secure the payment thereof, but the form, details, incidents and covenants could not be inconsistent with any of the provisions of this act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission
Department of Revenue
Office of Administration
 Division of Budget and Planning
Office of the State Treasurer

NOT RESPONDING

Office of the Attorney General
Boone County
Greene County
Jackson County
St. Louis County

Mickey Wilson

Mickey Wilson, CPA
Director
March 1, 2004